



Revised 02/13/09

COMMONWEALTH OF VIRGINIA

Department of the Treasury

MANJU S. GANERIWALA
TREASURER OF VIRGINIA

P. O. BOX 1879
RICHMOND, VA. 23218
(804) 225-2142

January 21, 2009

MEMORANDUM

TO: Localities Eligible for Participation in the 2009 B Interest Rate Subsidy Financing through the Virginia Public School Authority

FROM: Manju S. Ganeriwala, on behalf of
James M. Holland, Chairman, Virginia Public School Authority

SUBJECT: Information on the Spring 2009 Interest Rate Subsidy Program Bond Sale-
VPSA School Financing Bonds (1997 Resolution) Series 2009 B

Subject to the availability of the existing appropriation, the circumstances of which are described below, the Virginia Public School Authority ("VPSA") is gauging interest in a Spring 2009 interest rate subsidy bond issue for sale in conjunction with VPSA's Spring issue. The purpose of the program is to fund localities' projects on the Board of Education's First Priority Waiting List (Attachment A) and in, certain cases, the Second Priority Waiting List, through VPSA and provide debt service schedules equivalent to what they would have paid on a direct Literary Fund loan (Attachment B). The purpose of this memorandum is to provide localities with notice of the subsidy sale and directions to the electronic information regarding the application for inclusion in the financing. This memorandum will inform you of the steps necessary to be eligible to participate in this financing.

The electronic information package, including the application forms, is available at the Department of the Treasury home page on the Internet at:

http://www.trs.virginia.gov/Debt/vpsa_appl.asp

This package will better acquaint you with the VPSA financing program. Please access the Internet address shown above to secure the forms and instructions needed to submit the application to indicate interest in participating in a potential Spring 2009 interest rate subsidy financing.

As in the 2008 Fiscal Year, the 2008-2010 Appropriation Act (the "2008-10 Appropriation Act") permits VPSA to carry-over to Spring 2009 interest rate subsidy program that portion of the 2009 Fiscal Year appropriation for the subsidy program which was not used to conduct VPSA's Fall 2008 interest rate subsidy program. In the Fall of 2008 VPSA used approximately \$9,000,000 of the \$30,000,000 provided in the 2008-10 Appropriation Act for the interest rate subsidy program for Fiscal Year 2009. Therefore, as of the date of this memorandum, approximately \$21,000,000 remains available in the 2008-10 Appropriation Act for interest rate subsidies in conjunction with the Spring 2009 interest rate subsidy program. However, amendments to the 2008-10 Appropriation Act proposed in the current Budget Bill

MEMORANDUM

Revised 02/13/09

VPSA Interest Rate Subsidy Financing

January 21, 2009

Page 2

would eliminate the balance of the appropriation for Fiscal Year 2009. If the current Budget Bill passes the General Assembly and the amendments to the 2008-10 Appropriation Act contained therein are not modified during the Reconvened Session scheduled for April 8, then VPSA will not be able to conduct the Spring 2009 interest rate subsidy program. VPSA will use its best efforts to communicate to each locality submitting an application the status of the Spring 2009 interest rate subsidy program. The 2009 Session of the General Assembly is scheduled to adjourn sine die on February 28, 2009. The Reconvened Session is scheduled to follow on April 8, 2009. With the VPSA Spring pool bond sale scheduled for April 21, 2009, VPSA should be in position to determine whether it will be able to offer a Spring interest rate subsidy in advance of the sale date.

Should the Spring 2009 interest rate subsidy program occur, VPSA anticipates selling its bonds April 21, 2009 with funds available to localities on or about May 7, 2009. The 2008-10 Appropriation Act permits localities with projects on the Second Priority Waiting List to participate in the subsidy sale once VPSA has confirmed that all localities with projects on the First Priority Waiting List have affirmed their participation or have chosen to bypass the sale.

We have been informed by the Department of Education that, if you elect not to participate in, or VPSA is unable to offer, the Spring 2009 interest rate subsidy program, your project will remain on the First Priority Waiting List or Second Priority Waiting List, as applicable, without loss of priority ranking.

The Spring 2009 interest rate subsidy program will be structured similarly to the subsidy sales completed by the VPSA and the Department of Education in previous years. The objective of the interest rate subsidy program is to maximize use of available Literary Fund monies to provide low interest loans for school construction and renovation, and to keep the Literary Fund loan waiting list as short as possible. Localities which participate in the subsidy program are able to obtain VPSA financing at the same cost as if they had borrowed from the Literary Fund. Costs of issuing bonds associated with borrowing from VPSA will be covered by the program. The program is structured to provide a subsidy equal to the present value difference between the payment schedule which would have been achieved by borrowing from the Literary Fund and that which is actually achieved through VPSA.

If there are any questions regarding your project(s) or the Literary Fund Subsidy Program, please call Kent Dickey with the Department of Education at (804) 225-2025.

To demonstrate interest in the Spring 2009 interest rate subsidy program, and to participate, in the event VPSA is able to offer such program, you must complete the application form and email it to vpas@trs.virginia.gov by March 11, 2009. You must also send a written request in the form of a letter to:

**Kent C. Dickey
Assistant Superintendent for Finance
Department of Education
P. O. Box 2120
Richmond, Virginia 23216-2120**

MEMORANDUM

Revised 02/13/09

VPSA Interest Rate Subsidy Financing

January 21, 2009

Page 3

VPSA anticipates selling its bonds April 21, 2009 with funds available to localities on or about May 7, 2009. **As noted above, the ability of VPSA to offer the Spring 2009 interest rate subsidy program is contingent upon the availability of appropriations. If VPSA is able to offer such program, VPSA and the Department of Education will make every effort to include all eligible localities in the financing, funding will be based on your position on the First Priority Waiting List should funding remain available, the Second Priority Waiting List. In each case, market conditions at the time of sale may preclude us from including every eligible locality. If the amendments to the 2008-10 Appropriation Act proposed in the Budget Bill pass the General Assembly and are signed by the Governor, VPSA will use its best efforts to communicate to each locality submitting an application that the Spring interest rate subsidy program will not occur.**

Available on the website is the cover memorandum addressing the regular VPSA Spring bond sale. **If your locality wishes to participate in VPSA's Spring Non-Subsidy bond sale in addition to the interest rate subsidy financing, you must complete *both* applications.** As you complete your application, examine the schedule, included as Attachment C hereto, carefully. Please note that, given the extended time requirements for public notice and hearings, localities should procure the services of a bond counsel as soon as they have decided to participate in the VPSA bond sale.

Bond counsel typically charge a fixed fee for local debt issuance associated with VPSA, rather than an hourly rate. It is to your advantage to secure the services of qualified counsel as soon as possible. Subject to the conditions set forth above, insofar as possible, we will notify you and your bond counsel as soon as possible after March 31, 2009 whether you may be included in the Spring 2009 interest rate subsidy bond sale.

If you are interested in participating in the potential Spring 2009 interest rate subsidy financing, please email a letter expressing that interest along with the completed application form to vpsa@trs.virginia.gov. The application requires that the school board submit a resolution when your application is submitted. **A resolution approving the application is no longer required by the governing body as part of the application process.**

If you have any questions about the application, or need assistance, please call Rick Davis at (804) 225-4928, Melissa Palmer at (804) 225-4926 or Connie Vaughan at (804) 225-2268.

MSG:mwp

Attachments

c: VPSA Board of Commissioners
Evelyn R. Whitley
Director of Debt Management
Richard A. Davis
Public Finance Manager
Melissa W. Palmer
Public Finance Analyst

MEMORANDUM

VPSA Interest Rate Subsidy Financing

January 21, 2009

Page 4

Revised 02/13/09

Connie O. Vaughan
Public Finance Analyst
Stephanie L. Hamlett, Esq.
Office of the Attorney General
Kent C. Dickey
Department of Education
A. Francis Robinson, Jr., Esq.
Sidley Austin LLP
Matthew M. Hughey, Esq.
Sidley Austin LLP
John J. Conrad
BB&T Capital Markets
Barbara L. Fava
SNAP[®] Coordinator